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Submission

Many of the issues raised in the six questions that form the focus of this Farm Bill Forum require considerable research and analysis. Reduced barriers to trade will create exciting opportunities for many wheat and cattle producers in Montana who are already well-placed to compete in free markets. However, research is needed that will facilitate the ability of producers to use those opportunities, especially with respect to exploiting product quality advantages. Trade liberalization, however, will also create serious economic problems for Montana producers of other commodities such as sheep and sugar. Sugar producers, for example, will face substantial economic difficulties if access to U.S. markets for overseas sugar producers is substantially increased. Farm policy needs to effectively address the transition costs on producers that will inevitably arise with trade liberalization. The extent of those transition costs, however, is poorly documented and research is needed on the size of these costs, and on the structure and consequences of policies that could compensate many producers for the costs they may experience in the transition process.

Entry into farming by new producers is critical to the long run welfare of agricultural in the United States. However, contemporary agriculture is technologically sophisticated enterprise that requires considerable technical and managerial skills. New entrants need to be equipped with those skills and thus a critical element of contemporary agricultural policy should involve the support of improved education programs and incentives for young people to acquire the training essential for a successful twenty first century U.S. agricultural sector. To the extent that land and machinery and equipment investments create inefficient restrictions on entry, farm credit programs also need to be re-evaluated.

It should be noted that, as the distinguished Montana State University agricultural economist Oscar Burt showed twenty years ago, any farm policies that improve returns from agricultural production will result in higher land values. Only policies that decouple payments to individuals from both agricultural production and the land will not have

those effects. However, such policies then are generally completely unrelated to agriculture. Thus they are difficult to justify to the general populace.

With respect to farm income stabilization, issues of fairness are complex. Many people who own and operate small farms earn only a very small proportion of their incomes from farming. Increasing subsidies for small farms therefore does not necessarily mean providing more support for low income households. Targeting agricultural subsidy payments on the basis of household incomes raises privacy issues (for example, concerning access to tax returns by agencies other than the Internal Revenue Service). It also raises the question as to why low income households in agriculture should receive different welfare payments than low income households not involved in agriculture. In addition, such a policy may provide incentives for entry into farming by highly inexperienced people seeking preferential subsidy treatment, resulting in important unintended consequences. Much more research is required on these issues.

The protection and efficient use of clean water, clean air, and other natural resources and environmental amenities is of great importance in Montana as in other states. Much research already exists on these issues but more is needed. At the outset, resource and environmental priorities need to be identified so that agricultural policies can be designed that meet those goals. In addition, the full costs and consequences of many proposed policies targeted towards maintaining environmental amenities are not all well understood. For example, the longer run consequences of conservation easements and other types of contracts that affect environmental quality have not been fully explored. Nor have the consequences of policies that affect water rights and the availability of water for new uses been examined. Research is needed here too before major policy innovations are implemented.

Rural communities in Montana face major infrastructure problems. Many of these problems are tied to the fact that their populations have aged, with the ratio of retired people to young people having steadily increased over the past 50 years as farm size has expanded and farming has become more equipment intensive and less labor intensive. These communities are faced with major shortcomings in their ability to provide health care and other programs for the elderly (even "meals on wheels" is infeasible in many of these communities). In addition, as locally provided service needs have increased while the tax base has remained stagnant, many local communities cannot address acute physical infrastructure needs. Research is needed to identify both the infrastructure needs of these communities and the optimal rural support programs that can address those needs that are so acute in Montana's highly rural counties.

Finally, in an environment of increased global competitiveness, Montana agriculture will benefit from public research programs that provide new technologies and new product varieties to farmers at low cost. Funding for research on improved technologies and varieties for the production of major crops such as wheat is needed. In addition, publicly available research on new varieties of minor and specialty crops that allows farms to efficiently diversify their enterprises and manage price, income and enterprise risk is needed.